

**CITY OF NORWALK**

**INDEPENDENT AUDITORS' REPORTS**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

-----

**June 30, 2010**



**Shull**  
and Co. P.C.  
certified public accountants

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## CITY OF NORWALK

## OFFICIALS

| <u>Name</u>         | <u>Title</u>                      | <u>Term Expires</u> |
|---------------------|-----------------------------------|---------------------|
| Before January 2010 |                                   |                     |
| Pat Wahl            | Mayor                             | Dec. 2009           |
| Jim McClarnon       | Mayor Pro Tem &<br>Council Member | Dec. 2009           |
| Alexander Grgurich  | Council Member                    | Dec. 2009           |
| Frank Curtis        | Council Member                    | Dec. 2011           |
| Eric Delker         | Council Member                    | Dec. 2011           |
| John Putbreese      | Council Member                    | Dec. 2011           |
| Mark Miller         | Administrator                     | Indefinite          |
| Jeff Rosien         | Clerk                             | Indefinite          |
| James Dougherty     | Attorney                          | Indefinite          |
| After January 2010  |                                   |                     |
| Doug Pierce         | Mayor                             | Dec. 2013           |
| Frank Curtis        | Mayor Pro Tem &<br>Council Member | Dec. 2011           |
| Eric Delker         | Council Member                    | Dec. 2011           |
| John Putbreese      | Council Member                    | Dec. 2011           |
| Mike Leto           | Council Member                    | Dec. 2013           |
| Dave Murillo        | Council Member                    | Dec. 2013           |
| Mark Miller         | Administrator                     | Indefinite          |
| Jeff Rosien         | Clerk                             | Indefinite          |
| James Dougherty     | Attorney                          | Indefinite          |



# Shull

and Co. P.C.  
certified public accountants

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Norwalk, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Norwalk's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Norwalk as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2010, on our consideration of the City of Norwalk's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Norwalk's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Shull & Co., P.C.*

October 28, 2010

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Norwalk, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2010 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 25%, or approximately \$1,721,000 from fiscal 2009 to fiscal 2010. Operating grants, contributions and restricted interest, property tax, and other general receipts increased approximately \$121,000, 655,000, and 422,000, respectively. Bond proceeds increased approximately \$486,000.

Disbursements of the City's governmental activities increased 4%, or approximately \$314,000, in fiscal 2010 from fiscal 2009. Public works, general government, and debt service disbursements decreased approximately 326,000, 65,000, and 71,000, respectively. Public safety and community and economic development increased approximately \$532,000 and \$227,000, respectively.

The City's total cash basis net assets decreased 5%, or approximately \$313,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$272,000 and the assets of the business type activities decreased by approximately \$41,000.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

#### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not have effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

#### **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

##### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system, and the storm water drainage system. These activities are financed primarily by user charges.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and storm water funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, decreasing from \$3,730,980 to \$3,458,531. The analysis that follows focuses on the changes in cash balances for governmental activities.



## CITY OF NORWALK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

| Changes in Cash Basis Net Assets of Governmental Activities  |                     |                  |
|--|---------------------|------------------|
|  | Year ended June 30, |                  |
|  | 2010                | 2009             |
| Receipts and transfers                                       |                     |                  |
| Program receipts   |                     |                  |
| Charges for service  | \$ 1,005,488        | 915,871          |
| Operating grants, contributions and restricted interest      | 1,031,294           | 910,428          |
| Capital grants, contributions and restricted interest        | 36,253              | 38,180           |
| General receipts   |                     |                  |
| Property tax   | 4,539,884           | 3,884,171        |
| Utility tax replacement excise tax                           | 272,998             | 261,165          |
| Grants and contributions not restricted to specific purposes | 24,378              | 43,799           |
| Unrestricted interest on investments                         | 34,246              | 77,801           |
| Bond and loan proceeds                                       | 1,261,328           | 775,320          |
| Other general receipts                                       | 431,707             | 9,427            |
| Total receipts and transfers                                 | <u>8,637,576</u>    | <u>6,916,162</u> |
| Disbursements  |                     |                  |
| Public safety  | 2,958,539           | 2,427,043        |
| Public works   | 1,227,941           | 1,553,710        |
| Health and social services                                   | 3,150               | 3,150            |
| Culture and recreation                                       | 962,448             | 974,757          |
| Community and economic development                           | 489,903             | 262,688          |
| General government   | 541,682             | 606,826          |
| Debt service   | 1,627,389           | 1,698,399        |
| Capital projects   | 1,311,028           | 1,281,073        |
| Total disbursements  | <u>9,122,080</u>    | <u>8,807,646</u> |
| Change in cash basis net assets before transfers             | (484,504)           | (1,891,484)      |
| Transfers, net   | <u>212,055</u>      | <u>107,071</u>   |
| Change in cash basis net assets                              | (272,449)           | (1,784,413)      |
| Cash basis net assets beginning of year                      | <u>3,730,980</u>    | <u>5,515,393</u> |
| Cash basis net assets end of year                            | <u>\$ 3,458,531</u> | <u>3,730,980</u> |

The City's total receipts for governmental activities increased by 25%, or \$1,721,414. The total cost of all programs and services increased by \$314,434, or 4%, with no new programs added this year. The increase in receipts was primarily the result of increases in debt proceeds of \$486,008. Receipts also increased for operating grants, contributions and restricted interest, property tax, and other general receipts by \$120,866, \$655,713, and \$422,280, respectively.

# CITY OF NORWALK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$9,122,080 compared to \$8,807,646 last year. However, as shown in the Statement of Activities and Net Assets on pages 13-16, the amount taxpayers ultimately financed for these activities was only \$7,049,045 because some of the cost was paid by those directly benefited from the programs (\$1,005,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$1,060,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,800,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements and \$1,261,000 of bond and loan proceeds.

| Changes in Cash Basis Net Assets of Business Type Activities |                     |                  |
|--|---------------------|------------------|
|  | Year ended June 30, |                  |
|  | 2010                | 2009             |
| Receipts and transfers                                       |                     |                  |
| Program receipts   |                     |                  |
| Charges for service  |                     |                  |
| Water  | \$ 931,485          | 933,009          |
| Sewer  | 1,196,311           | 1,130,402        |
| Other non major  | 302,600             | 181,466          |
| Operating grants, contributions and restricted interest      | 116,686             | 175,214          |
| General receipts   |                     |                  |
| Unrestricted interest on investment                          | 22,352              | 37,598           |
| Total receipts   | <u>2,569,434</u>    | <u>2,457,689</u> |
| Disbursements  |                     |                  |
| Water  | 998,636             | 1,003,119        |
| Sewer  | 1,213,932           | 1,335,644        |
| Other non major  | <u>185,524</u>      | <u>119,488</u>   |
| Total disbursements and transfers                            | <u>2,398,092</u>    | <u>2,458,251</u> |
| Change in cash basis net assets before transfers             | 171,342             | (562)            |
| Transfers, net   | <u>(212,055)</u>    | <u>(107,071)</u> |
| Change in cash basis net assets                              | (40,713)            | (107,633)        |
| Cash basis net assets beginning of year                      | <u>2,205,061</u>    | <u>2,312,694</u> |
| Cash basis net assets end of year                            | <u>\$ 2,164,348</u> | <u>2,205,061</u> |

Total business type activities receipts for the fiscal year were \$2,569,434 compared to \$2,457,689 last year. Total disbursements for the fiscal year decreased by 2% or a total of \$60,159.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Norwalk, Iowa completed the year, its governmental funds reported a combined fund balance of \$3,145,639, a decrease of more than \$353,000 from last year's total of \$3,498,931. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$238,562 from the prior year to \$904,200.

The Road Use Tax Fund cash balance increased by \$61,808 to \$233,843 during the fiscal year.

The Employee Benefits Levy Fund cash balance increased \$72,487 to \$399,095.

The Urban Renewal Tax Increment Fund cash balance was \$1,551,043, an increase of \$437,522 from the previous year.

The Economic Development Fund cash balance was \$301,240, a decrease of \$273,163 from the previous year.

The Debt Service Fund cash balance was \$68,248, a decrease of \$11,034 from the previous year.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$15,895 to \$944,358.

The Sewer Fund cash balance decreased by \$126,262 to \$612,590.

## CITY OF NORWALK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2010 and resulted in a net increase of \$475,000 in revenues. The increase was due primarily to an anticipated bond issue. Budgeted expenditures increased \$475,000 due to capital purchases.

Even with the budget amendments, the City exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service, and capital projects functions for the year ended June 30, 2010.

#### DEBT ADMINISTRATION

At June 30, 2010, the City had \$12,236,099 in bonds and other long-term debt, compared to \$12,310,784 last year, as show below.

| Outstanding Debt at Year-End                   |                      |                   |
|--|----------------------|-------------------|
|  | June 30,             |                   |
|  | 2010                 | 2009              |
| General obligation bonds                       | \$ 7,595,000         | 8,010,000         |
| General obligation capital loan notes          | 385,000              | 505,000           |
| Revenue bonds                                  | 2,577,000            | 2,819,000         |
| Sanitary district mortgage assumed             | 175,944              | 189,910           |
| Colonial Meadows economic development payments | 716,827              | 786,874           |
| Short term equipment loan                      | 786,328              | -                 |
| Total  | <u>\$ 12,236,099</u> | <u>12,310,784</u> |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$7,980,000 is significantly below its constitutional debt limit of approximately \$25 million.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

## **CITY OF NORWALK**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City of Norwalk, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to budget constraints.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Miller, City Administrator, 705 North Avenue, Norwalk, Iowa.

## **BASIC FINANCIAL STATEMENTS**

CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2010

|                                    |                      | <u>Program</u>                 |
|------------------------------------|----------------------|--------------------------------|
|                                    | <u>Disbursements</u> | <u>Charges for<br/>Service</u> |
| Functions / Programs               |                      |                                |
| Governmental activities            |                      |                                |
| Public safety                      | \$ 2,958,539         | 163,969                        |
| Public works                       | 1,227,941            | 471,160                        |
| Health and social services         | 3,150                | -                              |
| Culture and recreation             | 962,448              | 225,189                        |
| Community and economic development | 489,903              | 3,644                          |
| General government                 | 541,682              | 141,526                        |
| Debt service                       | 1,627,389            | -                              |
| Capital projects                   | 1,311,028            | -                              |
| Total governmental activities      | <u>9,122,080</u>     | <u>1,005,488</u>               |
| Business type activities           |                      |                                |
| Water                              | 998,636              | 931,485                        |
| Sewer                              | 1,213,932            | 1,196,311                      |
| Other non major                    | 185,524              | 302,600                        |
| Total business type activities     | <u>2,398,092</u>     | <u>2,430,396</u>               |
| Total                              | <u>\$ 11,520,172</u> | <u>3,435,884</u>               |

General Receipts

Property tax levied for  
    General purposes  
    Tax increment financing  
    Debt service  
    Employee benefits  
    Emergency levy  
    Insurance levy  
Utility tax replacement excise tax  
Grants and contributions not restricted to  
specific purpose  
Unrestricted interest on investments  
Bond and loan proceeds  
Miscellaneous  
Sale of assets

Transfers

Total general receipts and transfers

| Receipts  |  | Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |             |
|---|--|--|-----------------------------|-------------|
| Operating Grants,<br>Contributions,<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities   | Business Type<br>Activities | Total       |
| 139,854   | 150  | (2,654,566)  | -                           | (2,654,566) |
| 748,630   | -  | (8,151)  | -                           | (8,151)     |
| -   | -  | (3,150)  | -                           | (3,150)     |
| 64,778  | -  | (672,481)  | -                           | (672,481)   |
| 25,777  | -  | (460,482)  | -                           | (460,482)   |
| 28,024  | -  | (372,132)  | -                           | (372,132)   |
| -   | -  | (1,627,389)  | -                           | (1,627,389) |
| 24,231  | 36,103   | (1,250,694)  | -                           | (1,250,694) |
| 1,031,294   | 36,253   | (7,049,045)  | -                           | (7,049,045) |
| 103,657   | -  | -  | 36,506                      | 36,506      |
| 10,565  | -  | -  | (7,056)                     | (7,056)     |
| 2,464   | -  | -  | 119,540                     | 119,540     |
| 116,686   | -  | -  | 148,990                     | 148,990     |
| 1,147,980   | 36,253   | (7,049,045)  | 148,990                     | (6,900,055) |
|   |  | 1,661,705  | -                           | 1,661,705   |
|   |  | 1,436,406  | -                           | 1,436,406   |
|   |  | 616,004  | -                           | 616,004     |
|   |  | 604,640  | -                           | 604,640     |
|   |  | 68,067   | -                           | 68,067      |
|   |  | 153,062  | -                           | 153,062     |
|   |  | 272,998  | -                           | 272,998     |
|   |  | 24,378   | -                           | 24,378      |
|   |  | 34,246   | 22,352                      | 56,598      |
|   |  | 1,261,328  | -                           | 1,261,328   |
|   |  | 824  | -                           | 824         |
|   |  | 430,883  | -                           | 430,883     |
|   |  | 212,055  | (212,055)                   | -           |
|   |  | 6,776,596  | (189,703)                   | 6,586,893   |



CITY OF NORWALK

Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2010

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted, expendable

Streets

Urban renewal purposes

Economic development

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

| <u>Governmental<br/>Activities</u> | <u>Business Type<br/>Activities</u> | <u>Total</u>     |
|------------------------------------|-------------------------------------|------------------|
| (272,449)                          | (40,713)                            | (313,162)        |
| <u>3,730,980</u>                   | <u>2,205,061</u>                    | <u>5,936,041</u> |
| <u>\$ 3,458,531</u>                | <u>2,164,348</u>                    | <u>5,622,879</u> |
| 233,843                            | -                                   | 233,843          |
| 1,551,043                          | -                                   | 1,551,043        |
| 301,240                            | -                                   | 301,240          |
| 68,248                             | 148,049                             | 216,297          |
| 87,065                             | -                                   | 87,065           |
| <u>1,217,092</u>                   | <u>2,016,299</u>                    | <u>3,233,391</u> |
| <u>\$ 3,458,531</u>                | <u>2,164,348</u>                    | <u>5,622,879</u> |

# CITY OF NORWALK

## Statement of Cash Receipts, Disbursements And Changes in Cash Balances Governmental Funds As of and for the year ended June 30, 2010

|                                       |                    | Special            |                              |
|---------------------------------------|--------------------|--------------------|------------------------------|
|                                       | General            | Road<br>Use<br>Tax | Employee<br>Benefits<br>Levy |
| Receipts                              |                    |                    |                              |
| Property tax                          | \$ 1,661,705       | -                  | 825,769                      |
| Tax increment financing collections   | -                  | -                  | -                            |
| Other city tax                        | 156,024            |                    | 68,992                       |
| Licenses and permits                  | 143,630            | -                  | -                            |
| Use of money and property             | 56,741             | -                  | 5,325                        |
| Intergovernmental                     | 56,671             | 730,665            | -                            |
| Charges for service                   | 727,348            | -                  | -                            |
| Miscellaneous                         | 186,988            | 8,537              | 824                          |
| Total receipts                        | <u>2,989,107</u>   | <u>739,202</u>     | <u>900,910</u>               |
| Disbursements                         |                    |                    |                              |
| Operating                             |                    |                    |                              |
| Public safety                         | 2,525,919          | -                  | 426,859                      |
| Public works                          | 500,687            | 677,394            | 49,237                       |
| Health and social services            | 3,150              | -                  | -                            |
| Culture and recreation                | 831,903            | -                  | 97,082                       |
| Community and economic development    | 189,113            | -                  | 33,698                       |
| General government                    | 487,139            | -                  | 53,647                       |
| Debt service                          | -                  | -                  | -                            |
| Capital projects                      | -                  | -                  | -                            |
| Total disbursements                   | <u>4,537,911</u>   | <u>677,394</u>     | <u>660,523</u>               |
| Excess of receipts over disbursements | <u>(1,548,804)</u> | <u>61,808</u>      | <u>240,387</u>               |
| Other financing sources (uses)        |                    |                    |                              |
| Bond and loan proceeds                | 1,261,328          | -                  | -                            |
| Sale of capital assets                | 5,883              | -                  | -                            |
| Operating transfers in (out)          | <u>520,155</u>     | <u>-</u>           | <u>(167,900)</u>             |
| Total other financing sources (uses)  | <u>1,787,366</u>   | <u>-</u>           | <u>(167,900)</u>             |

| Revenue          |                  | Capital Project  |              | Other              | Total              |
|------------------|------------------|------------------|--------------|--------------------|--------------------|
| Urban            | Economic         | Debt             | Street       | Nonmajor           |                    |
| Renewal          | Development      | Service          | Construction | Governmental       |                    |
| Tax Increment    |                  |                  |              | Funds              |                    |
| -                | -                | 616,005          | -            | -                  | 3,103,479          |
| 1,436,406        | -                | -                | -            | -                  | 1,436,406          |
| -                | -                | 47,981           | -            | -                  | 272,997            |
| -                | -                | -                | -            | -                  | 143,630            |
| 13,291           | 5,505            | -                | -            | 3,350              | 84,212             |
| -                | -                | -                | -            | 36,103             | 823,439            |
| -                | -                | -                | -            | -                  | 727,348            |
| -                | 25,777           | -                | -            | 41,485             | 263,611            |
| <u>1,449,697</u> | <u>31,282</u>    | <u>663,986</u>   | <u>-</u>     | <u>80,938</u>      | <u>6,855,122</u>   |
| -                | -                | -                | -            | -                  | 2,952,778          |
| -                | -                | -                | -            | -                  | 1,227,318          |
| -                | -                | -                | -            | -                  | 3,150              |
| -                | -                | -                | -            | 31,952             | 960,937            |
| 37,738           | 228,745          | -                | -            | -                  | 489,294            |
| -                | -                | -                | -            | -                  | 540,786            |
| 261,192          | -                | 1,366,197        | -            | -                  | 1,627,389          |
| -                | -                | -                | -            | 1,311,028          | 1,311,028          |
| <u>298,930</u>   | <u>228,745</u>   | <u>1,366,197</u> | <u>-</u>     | <u>1,342,980</u>   | <u>9,112,680</u>   |
| <u>1,150,767</u> | <u>(197,463)</u> | <u>(702,211)</u> | <u>-</u>     | <u>(1,262,042)</u> | <u>(2,257,558)</u> |
| -                | -                | -                | -            | -                  | 1,261,328          |
| -                | -                | -                | -            | 425,000            | 430,883            |
| <u>(713,245)</u> | <u>(75,700)</u>  | <u>713,245</u>   | <u>-</u>     | <u>(64,500)</u>    | <u>212,055</u>     |
| <u>(713,245)</u> | <u>(75,700)</u>  | <u>713,245</u>   | <u>-</u>     | <u>360,500</u>     | <u>1,904,266</u>   |

# CITY OF NORWALK

## Statement of Cash Receipts, Disbursements And Changes in Cash Balances Governmental Funds As of and for the year ended June 30, 2010

|                                    |                   | <u>Road<br/>Use<br/>Tax</u> | <u>Special<br/>Employee<br/>Benefits<br/>Levy</u> |
|------------------------------------|-------------------|-----------------------------|---|
|                                    | <u>General</u>    |                             |   |
| Net change in cash balances        | 238,562           | 61,808                      | 72,487  |
| Cash balances beginning of year    | <u>665,638</u>    | <u>172,035</u>              | <u>326,608</u>                                    |
| Cash balances end of year          | <u>\$ 904,200</u> | <u>233,843</u>              | <u>399,095</u>                                    |
| <br>Cash Basis Fund Balances       |                   |                             |   |
| Reserved                           |                   |                             |   |
| Debt service                       | \$ -              | -                           | -   |
| Unreserved                         |                   |                             |   |
| General fund                       | 904,200           | -                           | -   |
| Special revenue funds              | -                 | 233,843                     | 399,095   |
| Capital projects fund              | <u>-</u>          | <u>-</u>                    | <u>-</u>  |
| <br>Total cash basis fund balances | <u>\$ 904,200</u> | <u>233,843</u>              | <u>399,095</u>                                    |

See notes to financial statements.

| <u>Revenue</u>       |                    | <u>Capital Projects</u> |                     | <u>Other</u>        | <u>Total</u>     |
|----------------------|--------------------|-------------------------|---------------------|---------------------|------------------|
| <u>Urban</u>         | <u>Economic</u>    | <u>Debt</u>             | <u>Street</u>       | <u>Nonmajor</u>     |                  |
| <u>Tax Increment</u> | <u>Development</u> | <u>Service</u>          | <u>Construction</u> | <u>Governmental</u> |                  |
| <u>Funds</u>         |                    |                         |                     |                     |                  |
| 437,522              | (273,163)          | 11,034                  | -                   | (901,542)           | (353,292)        |
| <u>1,113,521</u>     | <u>574,403</u>     | <u>57,214</u>           | <u>-</u>            | <u>589,512</u>      | <u>3,498,931</u> |
| <u>1,551,043</u>     | <u>301,240</u>     | <u>68,248</u>           | <u>-</u>            | <u>(312,030)</u>    | <u>3,145,639</u> |
| -                    | -                  | 68,248                  | -                   | -                   | 68,248           |
| -                    | -                  | -                       | -                   | -                   | 904,200          |
| 1,551,043            | 301,240            | -                       | -                   | 102,348             | 2,587,569        |
| <u>-</u>             | <u>-</u>           | <u>-</u>                | <u>-</u>            | <u>(414,378)</u>    | <u>(414,378)</u> |
| <u>1,551,043</u>     | <u>301,240</u>     | <u>68,248</u>           | <u>-</u>            | <u>(312,030)</u>    | <u>3,145,639</u> |

## CITY OF NORWALK

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash  
Balances to the Statement of Activities and Net Assets -  
Governmental Funds  
As of and for the year ended June 30, 2010

|                                      |    |           |
|--------------------------------------|----|-----------|
| Total government funds cash balances | \$ | 3,145,639 |
|--------------------------------------|----|-----------|

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and self funding of a future additional payroll period to individual funds. The assets of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.

312,892

|  |    |                  |
|--|----|------------------|
| Cash basis net assets of governmental activities | \$ | <u>3,458,531</u> |
|--|----|------------------|

|                             |    |           |
|-----------------------------|----|-----------|
| Net change in cash balances | \$ | (353,292) |
|-----------------------------|----|-----------|

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and future payroll costs to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities.

80,843

|   |    |                  |
|---|----|------------------|
| Change in cash balance of governmental activities | \$ | <u>(272,449)</u> |
|---|----|------------------|

See notes to financial statements.

# CITY OF NORWALK

## Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds As of and for the year ended June 30, 2010

|   | <u>Enterprise</u> |                  |
|---|-------------------|------------------|
|   | <u>Water</u>      | <u>Sewer</u>     |
| Operating receipts  |                   |                  |
| Use of money and property                                     | \$ 9,473          | 7,699            |
| Charges for service   | 927,111           | 1,183,161        |
| Miscellaneous   | 103,657           | 10,565           |
| Total operating receipts                                      | <u>1,040,241</u>  | <u>1,201,425</u> |
| Operating disbursements                                       |                   |                  |
| Governmental activities                                       |                   |                  |
| Public safety   | -                 | -                |
| Public works  | -                 | -                |
| Culture and recreation  | -                 | -                |
| Community and economic development                            | -                 | -                |
| General government  | -                 | -                |
| Business type activities                                      | 998,636           | 1,213,932        |
| Total operating disbursements                                 | <u>998,636</u>    | <u>1,213,932</u> |
| Excess (deficiency) of receipts over (under)<br>disbursements | <u>41,605</u>     | <u>(12,507)</u>  |
| Other financing sources (uses)                                |                   |                  |
| Operating transfers out                                       | <u>(57,500)</u>   | <u>(113,755)</u> |
| Net change in cash balances                                   | (15,895)          | (126,262)        |
| Cash balances beginning of year                               | <u>960,253</u>    | <u>738,852</u>   |
| Cash balances end of year                                     | <u>\$ 944,358</u> | <u>612,590</u>   |
| Cash Basis Fund Balances                                      |                   |                  |
| Reserved for debt service                                     | \$ 6,553          | 141,496          |
| Unreserved  | <u>937,805</u>    | <u>471,094</u>   |
| Total cash basis fund balances                                | <u>\$ 944,358</u> | <u>612,590</u>   |

See notes to financial statements.



| Funds | Other<br>Nonmajor<br>Storm Water | Total            | Internal<br>Service Funds<br>Other Nonmajor<br>Internal Service<br>Funds |
|-------|----------------------------------|------------------|--|
|       | 2,252                            | 19,424           | 5,740  |
|       | 302,600                          | 2,412,872        | -  |
|       | 2,464                            | 116,686          | 104,955  |
|       | <u>307,316</u>                   | <u>2,548,982</u> | <u>110,695</u>   |
|       | -                                | -                | 5,761  |
|       | -                                | -                | 623  |
|       | -                                | -                | 1,511  |
|       | -                                | -                | 609  |
|       | -                                | -                | 896  |
|       | <u>185,524</u>                   | <u>2,398,092</u> | <u>-</u>   |
|       | <u>185,524</u>                   | <u>2,398,092</u> | <u>9,400</u>   |
|       | <u>121,792</u>                   | <u>150,890</u>   | <u>101,295</u>   |
|       | <u>(40,800)</u>                  | <u>(212,055)</u> | <u>-</u>   |
|       | 80,992                           | (61,165)         | 101,295  |
|       | <u>193,058</u>                   | <u>1,892,163</u> | <u>544,947</u>   |
|       | <u>274,050</u>                   | <u>1,830,998</u> | <u>646,242</u>   |
|       | -                                | 148,049          | -  |
|       | <u>274,050</u>                   | <u>1,682,949</u> | <u>646,242</u>   |
|       | <u>274,050</u>                   | <u>1,830,998</u> | <u>646,242</u>   |

## CITY OF NORWALK

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash  
Balances to the Statement of Activities and Net Assets -  
Proprietary Funds  
As of and for the year ended June 30, 2010

|                                      |    |           |
|--------------------------------------|----|-----------|
| Total enterprise funds cash balances | \$ | 1,830,998 |
|--------------------------------------|----|-----------|

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and self funding of a future additional payroll period to individual funds. The assets of the Internal Service Funds are included in business type activities in the Statement of Net Assets.

333,350

|   |    |                  |
|---|----|------------------|
| Cash basis net assets of business type activities | \$ | <u>2,164,348</u> |
|---|----|------------------|

|                             |    |          |
|-----------------------------|----|----------|
| Net change in cash balances | \$ | (61,165) |
|-----------------------------|----|----------|

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Funds are used by management to charge the costs of major equipment replacement and future payroll costs to individual funds. The change in net assets of the Internal Service Funds are reported with business type activities.

20,452

|  |    |                 |
|--|----|-----------------|
| Change in cash balance of business type activities | \$ | <u>(40,713)</u> |
|--|----|-----------------|

See notes to financial statements.

# CITY OF NORWALK

## Notes to Financial Statements June 30, 2010

### 1. Summary of Significant Accounting Policies

The City of Norwalk is a political subdivision of the State of Iowa located in Warren County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general administrative services. The City also provides water and sewer utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, City of Norwalk has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Norwalk has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the city but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission, Marion/Warren County Drug Task Force, Metropolitan Area Solid Waste Agency and Des Moines Area Metropolitan Planning Organization.

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2010

### 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2010

### 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (Continued)

##### Fund Financial Statements (Continued)

##### Special Revenue (Continued)

The Employee Benefits Levy Fund is used to account for the costs of employee benefits that are paid for by a special property tax levy.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Economic Development Fund is used to account for contributions from businesses and citizens restricted for economic development activities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies.

#### C. Measurement Focus and Basis of Accounting

The City of Norwalk maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2010

#### 1. Summary of Significant Accounting Policies (Continued)

##### C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

##### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the culture and recreation, general government, debt service, and capital projects functions.

#### 2. Cash and Pooled Investments

The City's deposits at June 30, 2010 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments subject to interest rate risk or credit risk reporting at June 30, 2010.

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2010

### 3. Bonds Payable

Annual debt service requirements to maturity for general obligation and revenue bonds are as follows:

| Year<br>Ending<br>June 30, | General Obligation Bonds<br>and Capital Notes |                  | Revenue Bonds    |                | Total             |                  |
|----------------------------|---|------------------|------------------|----------------|-------------------|------------------|
|                            | Principal                                     | Interest         | Principal        | Interest       | Principal         | Interest         |
| 2011                       | \$ 1,160,000                                  | 330,897          | 255,000          | 81,598         | 1,415,000         | 412,495          |
| 2012                       | 1,235,000                                     | 277,128          | 264,000          | 72,997         | 1,499,000         | 350,125          |
| 2013                       | 845,000                                       | 227,237          | 278,000          | 64,078         | 1,123,000         | 291,315          |
| 2014                       | 875,000                                       | 195,115          | 286,000          | 54,582         | 1,161,000         | 249,697          |
| 2015                       | 720,000                                       | 160,773          | 238,000          | 44,820         | 958,000           | 205,593          |
| 2016                       | 650,000                                       | 131,390          | 249,000          | 37,680         | 899,000           | 169,070          |
| 2017                       | 675,000                                       | 104,107          | 258,000          | 30,210         | 933,000           | 134,317          |
| 2018                       | 705,000                                       | 75,352           | 270,000          | 22,470         | 975,000           | 97,822           |
| 2019                       | 400,000                                       | 45,008           | 278,000          | 14,370         | 678,000           | 59,378           |
| 2020                       | 420,000                                       | 28,897           | 169,000          | 6,030          | 589,000           | 34,927           |
| 2021                       | 145,000                                       | 11,948           | 16,000           | 960            | 161,000           | 12,908           |
| 2022                       | 150,000                                       | 6,075            | 16,000           | 480            | 166,000           | 6,555            |
| Total                      | <u>\$ 7,980,000</u>                           | <u>1,593,927</u> | <u>2,577,000</u> | <u>430,275</u> | <u>10,557,000</u> | <u>2,024,202</u> |

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The entire income and revenue of the water and sewer systems shall be deposited as collected in the Water Revenue and Sewer Revenue Funds respectively.
- (c) Sufficient transfers shall then be made to the Water and Sewer Revenue Sinking funds for the purpose of making the bond principal and interest payments when due.

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2010

### 3. Bonds Payable (Continued)

- (d) \$60,000 from the proceeds of the sewer revenue bonds shall be deposited to and maintained in a Sewer Reserve fund. Money in the Sewer Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the bonds when insufficient money is available in the Sewer Revenue Sinking Fund.
- (e) Money in the Sewer Revenue Fund shall next be disbursed to maintain Sewer Improvement Fund. The Sewer Revenue Fund shall make minimum monthly transfers of \$1,600 until a minimum balance of \$60,000 has been accumulated. Money in the Improvement Funds shall be used solely for the purpose of paying principal of or interest on the bonds when there is insufficient money in the Sinking or Reserve Funds; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance or repairs, renewals and replacements, payment of rentals on any part of the system and for capital improvements.

In October 2009 the City issued \$475,000 of General Obligation Bonds. The proceeds from the bonds were used to pay costs of constructing improvements, and to acquire equipment for various city departments.

In March 2010, the City entered into a loan agreement with a bank, which provided a loan of \$786,328 for the purchase of a fire truck. The loan bears interest at 2.75%. The principal of the loan plus interest accrued is due August 2010

In August 2010 the City issued \$4,685,000 of General Obligation Urban Renewal Bonds. The proceeds from the bonds are to pay the costs of planning, undertaking, and carrying out the constructing a municipal works facility within the Norwalk Urban Renewal Area.

In August 2010 the City issued \$5,320,000 of General Obligation Bonds. The proceeds from the bonds are to pay the costs of constructing improvements, and to acquire equipment for various city departments.

In August 2010 the City issued \$1,260,000 of General Obligation Refunding Bonds. The proceeds from the bonds are to refund Series 1998 and Series 2004 General Obligation Bonds and Series 1999 and Series 2001 General Obligation Capital Loan Notes.

In October 2010 the City issued \$1,475,000 of General Obligation Urban Renewal Bonds. The proceeds from the bonds are to pay the costs of planning, undertaking, and carrying out constructing improvements to City Hall and a municipal public works facility with the Norwalk Urban Renewal Area.



## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2010

#### 4. Sanitary District Mortgage

In conjunction with the merger in July 1997 of the Lakewood Benefited Water District ("Water District") and the Lakewood Benefited Sanitary District ("Sanitary District") with the City, the City assumed a mortgage payable which was incurred by the Sanitary District during the construction of utility appurtenances and fixtures. The mortgage is payable in annual installments of \$21,458 including interest at 5% per annum through February 2021.

#### 5. Economic Development Payments

In conjunction with a preannexation agreement with the owners of certain property subsequently annexed into the City, the City agreed to make economic development payments sufficient to amortize the \$756,500 cost of owner improvements plus interest for 60 months at 4.99% per annum over the remaining life of the applicable tax increment financing ("TIF") area. The economic development payments are not general obligations of the City and are payable only from 80% of the incremental property taxes attributable to the nonresidential portions of the TIF area. Payments by the City are applied first to interest and then to principal. The City expects to make semiannual payments of \$44,383 including interest at 4.99% per annum from December 1, 2005 through June 1, 2020.

#### 6. Commitments/Long-Term Obligations

The Board of Water Works Trustees of the City of Des Moines, Iowa ("Water Board") manages the water works system serving the City of Des Moines and other cities, utility boards and water districts ("Participants") in the surrounding area. The Water Board determined it was necessary to construct a second treatment plant in order to commit to sell capacities desired by the Participants. In connection with construction of the treatment plant, each Participant, including the City of Norwalk, executed a purchased capacity master agreement agreeing to pay a specified price per gallon of daily capacity. Payment of the purchase price may be made by participation in a bonding program whereby water revenue bonds of the City of Des Moines were issued to finance the purchased capacity payments of the Participants. Such Participants pay a monthly bond charge proportionate to their share of the total purchased capacity sufficient to fund payments into a sinking fund for interest and principal next due and any required payments into a reserve fund.

A schedule of the City's portion of future principal and interest payments for the revenue bonds is as follows:

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2010

### 6. Commitments/Long-Term Obligations (Continued)

| Year ending<br>June 30, | Des Moines Water Works<br>Water Revenue Bonds |                |                  |
|-------------------------|---|----------------|------------------|
|                         | Principal                                     | Interest       | Total            |
| 2011                    | \$ 129,313                                    | 43,617         | 172,930          |
| 2012                    | 134,485                                       | 39,660         | 174,145          |
| 2013                    | 139,658                                       | 35,373         | 175,031          |
| 2014                    | 150,003                                       | 30,104         | 180,107          |
| 2015                    | 155,175                                       | 24,000         | 179,175          |
| Thereafter              | 522,423                                       | 31,966         | 554,389          |
| Total                   | <u>\$ 1,231,057</u>                           | <u>204,720</u> | <u>1,435,777</u> |

During the year ended June 30, 2010, the City paid \$163,686 for principal and interest pursuant to this agreement.

### 7. Joint Venture and Commitments

Warren County is a member of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of providing primary and secondary treatment of sewer flows for the participating communities. Through a separate Chapter 28E agreement the City of Norwalk has assumed a portion of Warren County's rights and obligations related to the WRA. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2010

#### 7. Joint Venture and Commitments (Continued)

The City the Norwalk retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from the WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A and 2004B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The series 2004A bonds had a balance of \$9,665,000 as of June 30, 2009. The City of Norwalk has a commitment for approximately \$104,215, or 1.08%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of the June 30, 2009, the Series 2004B bonds had a balance of \$63,580,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$1,847,082, or 2.91%. The WRA Sewer Revenue Bonds Series 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of the June 30, 2009, the Series 2006 bonds had a balance of \$37,325,000 and the City of Norwalk's estimated future allocation based on the WRA flows is currently \$1,110,341, or 2.97%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2009, the WRA had \$42,659,198 in outstanding State Revolving Loans, of which \$1,109,061 of future principal debt service is a commitment of the City of Norwalk.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Since there is no specific and measurable equity interest in the WRA Agreement, an investment in the joint venture will not be reported by the City. The city retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

# CITY OF NORWALK

## Notes to Financial Statements - Continued June 30, 2010

### 8. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$196,518, \$174,463, and \$138,889 respectively, equal to the required contributions for each year.

### 9. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but not for payment. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, was \$159,228, computed based on rates of pay as of June 30, 2010.

### 10. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| Transfer to      | Transfer from               | Amount              |
|------------------|-----------------------------|---------------------|
| General          | Special Revenue:            |                     |
|                  | Employee benefits levy      | \$ 167,900          |
|                  | Economic Development        | 75,700              |
|                  | Capital Projects:           |                     |
|                  | Street Construction         | 75,000              |
|                  | Enterprise:                 |                     |
|                  | Water                       | 57,500              |
|                  | Sewer                       | 113,755             |
|                  | Storm Water                 | 40,800              |
|                  |                             | <u>530,655</u>      |
| Capital Project: | Special Revenue:            |                     |
| Legacy Park      | Park Trust                  | <u>10,500</u>       |
| Debt Service     | Special Revenue:            |                     |
|                  | Urban Renewal Tax Increment | <u>713,245</u>      |
|                  |                             | <u>\$ 1,254,400</u> |

## CITY OF NORWALK

### Notes to Financial Statements - Continued June 30, 2010

#### 10. Interfund Transfers (Continued)

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### 11. Jointly Governed Organizations

The City is a member of the Iowa Municipalities Workers' Compensation Association (the "Association"). The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdiction. The City has executed a Worker's Compensation coverage Agreement with the Association, which extends through June 30, 2010 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2010, the City paid workers' compensation insurance premiums of \$90,511 to the Association.

Also, the City is a member of the Des Moines Metropolitan Solid Waste Agency (the "Agency"). The Agency is governed by a board of directors consisting of representatives of the governing bodies of each participating governmental jurisdiction. The City had no transactions during the year with the Agency.

In addition, the City is a member of the Des Moines Area Metropolitan Planning Organization (the "Organization"). The Organization is governed by a board of directors consisting of representatives of the governing bodies of each participating governmental jurisdiction. The City's transactions during the year with the Organization were limited to payment of per capita fees of \$4,937.

#### 12. Risk Management

The City of Norwalk is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### 13. Construction and Other Commitments

The City has entered into contracts totaling \$936,849 for a public works building and street improvement engineering and construction. At June 30, 2010, \$491,690 of the contracts was completed. The remaining amount of the contracts will be paid as work on the project progresses.

CITY OF NORWALK

Notes to Financial Statements - Continued  
June 30, 2010

14. Deficit Fund Balances

The City had deficit balances in the following funds at June 30, 2010:

Capital Project Funds:

|                       |    |         |
|-----------------------|----|---------|
| Street Construction   | \$ | 43,521  |
| Hakes Wright Road     |    | 88,905  |
| Safe Room             |    | 13,775  |
| Public Works Facility |    | 100,581 |
| Signal Project        |    | 232,094 |

The deficits will be eliminated upon receipt of funds or transfers in the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF NORWALK

Budgetary Comparison Schedule of Receipts, Disbursements  
and Changes in Balances – Budget and Actual (Cash Basis) -  
All Governmental Funds and Proprietary Funds  
Required Supplementary Information  
Year ended June 30, 2010

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|---|---------------------------------|--------------------------------|
| Receipts  |                                 |                                |
| Property tax  | \$ 3,103,479                    | -                              |
| Tax increment financing collections   | 1,436,406                       | -                              |
| Other city tax  | 272,997                         | -                              |
| Licenses and permits  | 143,630                         | -                              |
| Use of money and property   | 84,212                          | 25,164                         |
| Intergovernmental   | 823,439                         | -                              |
| Charges for service   | 727,348                         | 2,412,872                      |
| Miscellaneous   | <u>263,611</u>                  | <u>221,641</u>                 |
| Total receipts  | <u>6,855,122</u>                | <u>2,659,677</u>               |
| Disbursements   |                                 |                                |
| Public safety   | 2,952,778                       | 5,761                          |
| Public works  | 1,227,318                       | 623                            |
| Health and social services  | 3,150                           | -                              |
| Culture and recreation  | 960,937                         | 1,511                          |
| Community and economic development  | 489,294                         | 609                            |
| General government  | 540,786                         | 896                            |
| Debt service  | 1,627,389                       | -                              |
| Capital projects  | 1,311,028                       | -                              |
| Business type activities  | <u>-</u>                        | <u>2,398,092</u>               |
| Total disbursements   | <u>9,112,680</u>                | <u>2,407,492</u>               |
| Excess of receipts over disbursements   | (2,257,558)                     | 252,185                        |
| Other financing sources, net  | <u>1,904,266</u>                | <u>(212,055)</u>               |
| Excess of receipts and other financing sources<br>over disbursements and other financing uses | (353,292)                       | 40,130                         |
| Balances beginning of year  | <u>3,498,931</u>                | <u>2,437,110</u>               |
| Balances end of year  | <u>\$ 3,145,639</u>             | <u>2,477,240</u>               |



| Less Funds<br>not Required to<br>to be Budgeted | Net         | Budgeted Amounts |           | Final to<br>Net<br>Variance |
|---|-------------|------------------|-----------|-----------------------------|
|   |             | Original         | Final     |                             |
| -   | 3,103,479   | 3,075,598        | 3,075,598 | 27,881                      |
| -   | 1,436,406   | 1,100,000        | 1,100,000 | 336,406                     |
| -   | 272,997     | 282,662          | 282,662   | (9,665)                     |
| -   | 143,630     | 104,600          | 104,600   | 39,030                      |
| 5,740   | 103,636     | 231,800          | 231,800   | (128,164)                   |
| -   | 823,439     | 813,000          | 813,000   | 10,439                      |
| -   | 3,140,220   | 3,259,712        | 3,259,712 | (119,492)                   |
| 104,955   | 380,297     | 218,300          | 218,300   | 161,997                     |
| 110,695   | 9,404,104   | 9,085,672        | 9,085,672 | 318,432                     |
| 5,761   | 2,952,778   | 1,905,588        | 2,220,588 | (732,190)                   |
| 623   | 1,227,318   | 1,289,837        | 1,289,837 | 62,519                      |
| -   | 3,150       | 3,150            | 3,150     | -                           |
| 1,511   | 960,937     | 912,040          | 952,040   | (8,897)                     |
| 609   | 489,294     | 857,636          | 927,636   | 438,342                     |
| 896   | 540,786     | 465,934          | 515,934   | (24,852)                    |
| -   | 1,627,389   | 684,421          | 684,421   | (942,968)                   |
| -   | 1,311,028   | -                | -         | (1,311,028)                 |
| -   | 2,398,092   | 2,591,464        | 2,591,464 | 193,372                     |
| 9,400   | 11,510,772  | 8,710,070        | 9,185,070 | (2,325,702)                 |
| 101,295   | (2,106,668) | 375,602          | (99,398)  | (2,007,270)                 |
| -   | 1,692,211   | 4,000            | 479,000   | (1,213,211)                 |
| 101,295   | (414,457)   | 379,602          | 379,602   | (3,220,481)                 |
| 544,947   | 5,391,094   | 7,699,250        | 7,699,250 | 2,308,156                   |
| 646,242   | 4,976,637   | 8,078,852        | 8,078,852 | (912,325)                   |

## CITY OF NORWALK

### Notes to Required Supplementary Information – Budgetary Reporting June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$475,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service and capital projects functions.

## **OTHER SUPPLEMENTARY INFORMATION**

# CITY OF NORWALK

## Statement of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds As of and for the year ended June 30, 2010

|   | <u>Special</u>            |                          |
|---|---------------------------|--------------------------|
|   | <u>Plumbers<br/>Bonds</u> | <u>Library<br/>Trust</u> |
| Receipts  |                           |                          |
| Property tax  | \$ -                      | -                        |
| Use of money and property                                     | 84                        | 181                      |
| Intergovernmental   | -                         | -                        |
| Miscellaneous   | 100                       | 12,115                   |
| Total receipts  | <u>184</u>                | <u>12,296</u>            |
| Disbursements   |                           |                          |
| Operating   |                           |                          |
| Culture and recreation  | -                         | 29,952                   |
| Capital projects  | -                         | -                        |
| Total disbursements   | <u>-</u>                  | <u>29,952</u>            |
| Excess (deficiency) of receipts over<br>(under) disbursements | <u>184</u>                | <u>(17,656)</u>          |
| Other financing uses  |                           |                          |
| Bond proceeds   | -                         | -                        |
| Operating transfers in (out)                                  | -                         | -                        |
| Total other financing sources (uses)                          | <u>-</u>                  | <u>-</u>                 |
| Net change in cash balances                                   | 184                       | (17,656)                 |
| Cash balances beginning of year                               | 9,065                     | 28,289                   |
| Cash balances end of year                                     | <u>\$ 9,249</u>           | <u>10,633</u>            |
| Cash Basis Fund Balances                                      |                           |                          |
| Unreserved  |                           |                          |
| Special revenue funds   | \$ 9,249                  | 10,633                   |
| Capital project fund  | -                         | -                        |
| Total cash basis fund balances                                | <u>\$ 9,249</u>           | <u>10,633</u>            |

See accompanying independent auditors' report.

| Revenue    |                        |                        |                               | Capital             |                   |
|------------|------------------------|------------------------|-------------------------------|---------------------|-------------------|
| Park Trust | Keep Norwalk Beautiful | Legacy Pedestrian Path | Orchard Ridge Pedestrian Path | Street Construction | Hakes Wright Road |
| -          | -                      | -                      | -                             | -                   | -                 |
| 507        | 68                     | 43                     | 10                            | 1,164               | 672               |
| -          | -                      | -                      | -                             | -                   | -                 |
| 5,038      | -                      | -                      | -                             | 24,232              | -                 |
| 5,545      | 68                     | 43                     | 10                            | 25,396              | 672               |
| 2,000      | -                      | -                      | -                             | -                   | -                 |
| -          | -                      | -                      | -                             | 341,813             | 195,584           |
| 2,000      | -                      | -                      | -                             | 341,813             | 195,584           |
| 3,545      | 68                     | 43                     | 10                            | (316,417)           | (194,912)         |
| -          | -                      | -                      | -                             | -                   | -                 |
| 10,500     | -                      | -                      | -                             | (75,000)            | -                 |
| 10,500     | -                      | -                      | -                             | (75,000)            | -                 |
| 14,045     | 68                     | 43                     | 10                            | (391,417)           | (194,912)         |
| 55,231     | 7,359                  | 4,593                  | 1,117                         | 347,896             | 106,007           |
| 69,276     | 7,427                  | 4,636                  | 1,127                         | (43,521)            | (88,905)          |
| 69,276     | 7,427                  | 4,636                  | 1,127                         | -                   | -                 |
| -          | -                      | -                      | -                             | (43,521)            | (88,905)          |
| 69,276     | 7,427                  | 4,636                  | 1,127                         | (43,521)            | (88,905)          |

## Schedule 1

## Projects

| Legacy<br>Park | Water<br>Tower<br>Park | Safe<br>Room    | I Jobs        | Public<br>Works<br>Facility | Signal<br>Project | Total              |
|----------------|------------------------|-----------------|---------------|-----------------------------|-------------------|--------------------|
| -              | -                      | -               | -             | -                           | -                 | -                  |
| 10             | 185                    | -               | 216           | 210                         | -                 | 3,350              |
| -              | -                      | -               | 36,103        | -                           | -                 | 36,103             |
| -              | -                      | -               | -             | -                           | -                 | 41,485             |
| <u>10</u>      | <u>185</u>             | <u>-</u>        | <u>36,319</u> | <u>210</u>                  | <u>-</u>          | <u>80,938</u>      |
| -              | -                      | -               | -             | -                           | -                 | 31,952             |
| <u>1,971</u>   | <u>-</u>               | <u>13,775</u>   | <u>-</u>      | <u>525,791</u>              | <u>232,094</u>    | <u>1,311,028</u>   |
| <u>1,971</u>   | <u>-</u>               | <u>13,775</u>   | <u>-</u>      | <u>525,791</u>              | <u>232,094</u>    | <u>1,342,980</u>   |
| <u>(1,961)</u> | <u>185</u>             | <u>(13,775)</u> | <u>36,319</u> | <u>(525,581)</u>            | <u>(232,094)</u>  | <u>(1,262,042)</u> |
| -              | -                      | -               | -             | 425,000                     | -                 | 425,000            |
| <u>-</u>       | <u>-</u>               | <u>-</u>        | <u>-</u>      | <u>-</u>                    | <u>-</u>          | <u>(64,500)</u>    |
| <u>-</u>       | <u>-</u>               | <u>-</u>        | <u>-</u>      | <u>425,000</u>              | <u>-</u>          | <u>360,500</u>     |
| (1,961)        | 185                    | (13,775)        | 36,319        | (100,581)                   | (232,094)         | (901,542)          |
| <u>2,447</u>   | <u>27,508</u>          | <u>-</u>        | <u>-</u>      | <u>-</u>                    | <u>-</u>          | <u>589,512</u>     |
| <u>486</u>     | <u>27,693</u>          | <u>(13,775)</u> | <u>36,319</u> | <u>(100,581)</u>            | <u>(232,094)</u>  | <u>(312,030)</u>   |
| -              | -                      | -               | -             | -                           | -                 | 102,348            |
| <u>486</u>     | <u>27,693</u>          | <u>(13,775)</u> | <u>36,319</u> | <u>(100,581)</u>            | <u>(232,094)</u>  | <u>(414,378)</u>   |
| <u>486</u>     | <u>27,693</u>          | <u>(13,775)</u> | <u>36,319</u> | <u>(100,581)</u>            | <u>(232,094)</u>  | <u>(312,030)</u>   |

## CITY OF NORWALK

Schedule 2

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds  
As of and for the year ended June 30, 2010

|   | Internal Service         |                    |         |
|---|--------------------------|--------------------|---------|
|   | Equipment<br>Replacement | 27th Pay<br>Period | Total   |
| Receipts  |                          |                    |         |
| Use of money and property                                     | \$ 5,033                 | 707                | 5,740   |
| Miscellaneous   | 104,955                  | -                  | 104,955 |
| Total receipts  | 109,988                  | 707                | 110,695 |
| Disbursements   |                          |                    |         |
| Operating   |                          |                    |         |
| Public safety   | -                        | 5,761              | 5,761   |
| Public works  | -                        | 623                | 623     |
| Culture and recreation  | -                        | 1,511              | 1,511   |
| Community and economic development                            | -                        | 609                | 609     |
| General government  | -                        | 896                | 896     |
| Business type activities                                      | -                        | -                  | -       |
| Total disbursements   | -                        | 9,400              | 9,400   |
| Excess (deficiency) of receipts over<br>(under) disbursements | 109,988                  | (8,693)            | 101,295 |
| Cash balances beginning of year                               | 503,712                  | 41,235             | 544,947 |
| Cash balances end of year                                     | \$ 613,700               | 32,542             | 646,242 |
| Cash Basis Fund Balances                                      |                          |                    |         |
| Unreserved  | \$ 613,700               | 32,542             | 646,242 |

See accompanying independent auditors' report.

## CITY OF NORWALK

Schedule of Indebtedness  
Year ended June 30, 2010

| Obligation                                 | Date of<br>Issue | Interest<br>Rates | Amount<br>Originally<br>Issued |
|--|------------------|-------------------|--------------------------------|
| General obligation bonds:                  |                  |                   |                                |
| Essential corporate purpose                | April 1, 1998    | 4.30-5.05         | \$ 1,220,000                   |
| Corporate purpose                          | Jan 1, 2001      | 4.85-5.10         | 1,950,000                      |
| Urban renewal corporate purpose            | Feb 1, 2004      | 1.40-3.80         | 900,000                        |
| Urban renewal fire station                 | Jun 30, 2005     | 3.50-4.00         | 2,500,000                      |
| Urban renewal fire station                 | Nov 3, 2005      | 3.70-4.25         | 670,000                        |
| Corporate purpose                          | Apr 20, 2006     | 3.60-3.85         | 700,000                        |
| Corporate purpose                          | May 15, 2007     | 3.75-4.05         | 1,950,000                      |
| Corporate purpose                          | Oct 15, 2008     | 3.25-3.85         | 780,000                        |
| Corporate purpose                          | Oct 6, 2009      | 2.00-3.00         | 475,000                        |
| Total                                      |                  |                   |                                |
| General obligation street improvement      |                  |                   |                                |
| capital loan notes                         | Dec 1, 1999      | 4.60-5.40         | 665,000                        |
| General obligation corporate purpose notes | Aug 1, 2001      | 3.80-4.90         | 595,000                        |
| Total                                      |                  |                   |                                |
| Revenue bonds:                             |                  |                   |                                |
| Sewer                                      | Feb 1, 1999      | 4.15-5.15         | 620,000                        |
| Sewer                                      | June 18, 1999    | 3.00              | 660,463                        |
| Sewer                                      | June 18, 1999    | 3.00              | 939,537                        |
| Water                                      | Feb 7, 2000      | 3.00              | 1,175,000                      |
| Sewer                                      | Feb 10, 2000     | 3.00              | 1,053,000                      |
| Sewer                                      | May 14, 2002     | 3.00              | 250,000                        |
| Total                                      |                  |                   |                                |
| Sanitary district mortgage assumed         | July 1, 1997     | 5.00              | 361,900                        |
| Colonial Meadows economic                  |                  |                   |                                |
| development payments                       | April 8, 1999    | 4.99              | 926,341                        |
| Short term equipment loan                  | Mar 23, 2010     | 2.75              | 786,328                        |

See accompanying independent auditors' report.



| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| \$ 540,000                      | -                        | 160,000                    | 380,000                   | 26,940           |
| 1,640,000                       | -                        | 150,000                    | 1,490,000                 | 81,778           |
| 535,000                         | -                        | 80,000                     | 455,000                   | 17,672           |
| 1,970,000                       | -                        | 145,000                    | 1,825,000                 | 74,270           |
| 535,000                         | -                        | 40,000                     | 495,000                   | 21,433           |
| 315,000                         | -                        | 100,000                    | 215,000                   | 11,975           |
| 1,695,000                       | -                        | 140,000                    | 1,555,000                 | 65,797           |
| 780,000                         | -                        | 75,000                     | 705,000                   | 27,203           |
| -                               | 475,000                  | -                          | 475,000                   | -                |
| <u>8,010,000</u>                | <u>475,000</u>           | <u>890,000</u>             | <u>7,595,000</u>          | <u>327,068</u>   |
| 220,000                         | -                        | 70,000                     | 150,000                   | 11,700           |
| <u>285,000</u>                  | -                        | <u>50,000</u>              | <u>235,000</u>            | <u>13,430</u>    |
| <u>505,000</u>                  | -                        | <u>120,000</u>             | <u>385,000</u>            | <u>25,130</u>    |
| 255,000                         | -                        | 45,000                     | 210,000                   | 12,747           |
| 398,000                         | -                        | 33,000                     | 365,000                   | 14,388           |
| 567,000                         | -                        | 47,000                     | 520,000                   | 20,497           |
| 744,000                         | -                        | 56,000                     | 688,000                   | 26,263           |
| 676,000                         | -                        | 50,000                     | 626,000                   | 26,499           |
| <u>179,000</u>                  | -                        | <u>11,000</u>              | <u>168,000</u>            | <u>5,370</u>     |
| <u>2,819,000</u>                | -                        | <u>242,000</u>             | <u>2,577,000</u>          | <u>105,764</u>   |
| <u>189,910</u>                  | -                        | <u>13,966</u>              | <u>175,944</u>            | <u>7,492</u>     |
| <u>786,874</u>                  | -                        | <u>70,047</u>              | <u>716,827</u>            | <u>18,719</u>    |
| <u>-</u>                        | <u>786,328</u>           | <u>-</u>                   | <u>786,328</u>            | <u>-</u>         |
| <u>\$ 12,310,784</u>            | <u>1,261,328</u>         | <u>1,336,013</u>           | <u>12,236,099</u>         | <u>484,173</u>   |

# CITY OF NORWALK

## Bond and Note Maturities June 30, 2010

### GENERAL OBLIGATION CAPITAL LOAN NOTES

| Year<br>Ending<br>June 30, | General Obligation<br>Street Improvement Notes |            | General Obligation<br>Corporate Purpose |            |            |
|----------------------------|--|------------|---|------------|------------|
|                            | Issued Dec 1, 1999                             |            | Issued Aug 1, 2001                      |            |            |
|                            | Interest                                       |            | Interest                                |            |            |
|                            | Rates  | Amount     | Rates                                   | Amount     | Total      |
| 2011                       | 5%   | \$ 75,000  | 5%                                      | \$ 55,000  | \$ 130,000 |
| 2012                       | 5%   | 75,000     | 5%                                      | 55,000     | 130,000    |
| 2013                       |  | -          | 5%                                      | 60,000     | 60,000     |
| 2014                       |  | -          | 5%                                      | 65,000     | 65,000     |
| Total                      |  | \$ 150,000 |   | \$ 235,000 | \$ 385,000 |

### GENERAL OBLIGATION

| Year<br>Ending<br>June 30, | Essential Corporate Purpose |                   | Corporate Purpose  |                     | Corporate Purpose  |                   | Urban Renewal       |                    |
|----------------------------|-----------------------------|-------------------|--------------------|---------------------|--------------------|-------------------|---------------------|--------------------|
|                            | Issued April 1, 1998        |                   | Issued Jan 1, 2001 |                     | Issued Feb 1, 2004 |                   | Issued Jun 30, 2005 |                    |
|                            | Interest                    |                   | Interest           |                     | Interest           |                   | Interest            |                    |
|                            | Rates                       | Amount            | Rates              | Amount              | Rates              | Amount            | Rates               | Amount             |
| 2011                       | 5%                          | \$ 180,000        | 5%                 | \$ 150,000          | 2.90%              | \$ 85,000         | 3.50%               | \$ 150,000         |
| 2012                       | 5%                          | 200,000           | 5%                 | 160,000             | 3.20%              | 85,000            | 3.50%               | 155,000            |
| 2013                       |                             | -                 | 5%                 | 170,000             | 3.40%              | 90,000            | 3.60%               | 165,000            |
| 2014                       |                             | -                 | 5%                 | 180,000             | 3.65%              | 95,000            | 3.70%               | 170,000            |
| 2015                       |                             | -                 | 5%                 | 190,000             | 3.80%              | 100,000           | 3.75%               | 175,000            |
| 2016                       |                             | -                 | 5%                 | 200,000             |                    | -                 | 3.85%               | 185,000            |
| 2017                       |                             | -                 | 5%                 | 215,000             |                    | -                 | 3.90%               | 195,000            |
| 2018                       |                             | -                 | 5%                 | 225,000             |                    | -                 | 3.90%               | 200,000            |
| 2019                       |                             | -                 |                    | -                   |                    | -                 | 4.00%               | 210,000            |
| 2020                       |                             | -                 |                    | -                   |                    | -                 | 4.00%               | 220,000            |
| 2021                       |                             | -                 |                    | -                   |                    | -                 |                     | -                  |
| 2022                       |                             | -                 |                    | -                   |                    | -                 |                     | -                  |
| Total                      |                             | <u>\$ 380,000</u> |                    | <u>\$ 1,490,000</u> |                    | <u>\$ 455,000</u> |                     | <u>\$1,825,000</u> |

## BONDS

| Urban Renewal      |           | Corporate Purpose   |           | Corporate Purpose   |            | Corporate Purpose   |           | Corporate Purpose  |           |              |
|--------------------|-----------|---------------------|-----------|---------------------|------------|---------------------|-----------|--------------------|-----------|--------------|
| Issued Nov 3, 2005 |           | Issued Apr 20, 2006 |           | Issued May 15, 2007 |            | Issued Oct 15, 2008 |           | Issued Oct 6, 2009 |           |              |
| Interest           |           | Interest            |           | Interest            |            | Interest            |           | Interest           |           |              |
| Rates              | Amount    | Rates               | Amount    | Rates               | Amount     | Rates               | Amount    | Rates              | Amount    | Total        |
| 3.80%              | \$ 40,000 | 3.80%               | \$105,000 | 3.75%               | \$ 140,000 | 3.25%               | \$ 75,000 | 2.00%              | \$105,000 | \$ 1,030,000 |
| 3.80%              | 45,000    | 3.85%               | 110,000   | 3.75%               | 150,000    | 3.30%               | 80,000    | 2.40%              | 120,000   | 1,105,000    |
| 3.80%              | 45,000    | -                   | -         | 3.75%               | 105,000    | 3.30%               | 85,000    | 2.70%              | 125,000   | 785,000      |
| 3.90%              | 45,000    | -                   | -         | 3.80%               | 110,000    | 3.30%               | 85,000    | 3.00%              | 125,000   | 810,000      |
| 4.00%              | 50,000    | -                   | -         | 3.80%               | 115,000    | 3.50%               | 90,000    | -                  | -         | 720,000      |
| 4.05%              | 50,000    | -                   | -         | 3.85%               | 120,000    | 3.70%               | 95,000    | -                  | -         | 650,000      |
| 4.10%              | 50,000    | -                   | -         | 3.90%               | 120,000    | 3.75%               | 95,000    | -                  | -         | 675,000      |
| 4.15%              | 55,000    | -                   | -         | 3.95%               | 125,000    | 3.85%               | 100,000   | -                  | -         | 705,000      |
| 4.20%              | 55,000    | -                   | -         | 4.00%               | 135,000    | -                   | -         | -                  | -         | 400,000      |
| 4.25%              | 60,000    | -                   | -         | 4.00%               | 140,000    | -                   | -         | -                  | -         | 420,000      |
| -                  | -         | -                   | -         | 4.05%               | 145,000    | -                   | -         | -                  | -         | 145,000      |
| -                  | -         | -                   | -         | 4.05%               | 150,000    | -                   | -         | -                  | -         | 150,000      |
| \$ 495,000         |           | \$215,000           |           | \$1,555,000         |            | \$ 705,000          |           | \$475,000          |           | \$ 7,595,000 |

# CITY OF NORWALK

## Bond and Note Maturities June 30, 2010

| Year<br>Ending<br>June 30, | REVENUE            |                   |                      |                   |                      |                   |
|----------------------------|--------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
|                            | Sewer              |                   | Sewer                |                   | Sewer                |                   |
|                            | Issued Feb 1, 1999 |                   | Issued June 18, 1999 |                   | Issued June 18, 1999 |                   |
|                            | Interest<br>Rates  | Amount            | Interest<br>Rates    | Amount            | Interest<br>Rates    | Amount            |
| 2011                       | 5%                 | \$ 50,000         | 4%                   | \$ 34,000         | 4%                   | \$ 49,000         |
| 2012                       | 5%                 | 50,000            | 4%                   | 36,000            | 4%                   | 51,000            |
| 2013                       | 5%                 | 55,000            | 4%                   | 37,000            | 4%                   | 53,000            |
| 2014                       | 5%                 | 55,000            | 4%                   | 39,000            | 4%                   | 55,000            |
| 2015                       |                    | -                 | 4%                   | 40,000            | 4%                   | 57,000            |
| 2016                       |                    | -                 | 4%                   | 42,000            | 4%                   | 60,000            |
| 2017                       |                    | -                 | 4%                   | 44,000            | 4%                   | 62,000            |
| 2018                       |                    | -                 | 4%                   | 46,000            | 4%                   | 65,000            |
| 2019                       |                    | -                 | 4%                   | 47,000            | 4%                   | 68,000            |
| 2020                       |                    | -                 |                      | -                 |                      | -                 |
| 2021                       |                    | -                 |                      | -                 |                      | -                 |
| 2022                       |                    | -                 |                      | -                 |                      | -                 |
|                            |                    | <u>\$ 210,000</u> |                      | <u>\$ 365,000</u> |                      | <u>\$ 520,000</u> |

See accompanying independent auditor's report.

Schedule 4  
(Continued)

BONDS

| Water              |            | Sewer               |            | Sewer               |            | Total        |
|--------------------|------------|---------------------|------------|---------------------|------------|--------------|
| Issued Feb 7, 2000 |            | Issued Feb 10, 2000 |            | Issued May 14, 2002 |            |              |
| Interest Rates     | Amount     | Interest Rates      | Amount     | Interest Rates      | Amount     |              |
| 4%                 | \$ 58,000  | 4%                  | \$ 52,000  | 3%                  | \$ 12,000  | \$ 255,000   |
| 4%                 | 61,000     | 4%                  | 54,000     | 3%                  | 12,000     | 264,000      |
| 4%                 | 63,000     | 4%                  | 57,000     | 3%                  | 13,000     | 278,000      |
| 4%                 | 65,000     | 4%                  | 59,000     | 3%                  | 13,000     | 286,000      |
| 4%                 | 67,000     | 4%                  | 61,000     | 3%                  | 13,000     | 238,000      |
| 4%                 | 70,000     | 4%                  | 63,000     | 3%                  | 14,000     | 249,000      |
| 4%                 | 72,000     | 4%                  | 66,000     | 3%                  | 14,000     | 258,000      |
| 4%                 | 75,000     | 4%                  | 69,000     | 3%                  | 15,000     | 270,000      |
| 4%                 | 77,000     | 4%                  | 71,000     | 3%                  | 15,000     | 278,000      |
| 4%                 | 80,000     | 4%                  | 74,000     | 3%                  | 15,000     | 169,000      |
|                    | -          |                     | -          | 3%                  | 16,000     | 16,000       |
|                    | -          |                     | -          | 3%                  | 16,000     | 16,000       |
|                    | \$ 688,000 |                     | \$ 626,000 |                     | \$ 168,000 | \$ 2,577,000 |

## CITY OF NORWALK

## Schedule 5

Statement of Receipts By Source  
and Disbursements By Function -  
All Governmental Funds  
For the Last Seven Years

|                                     | 2010                | 2009             | 2008             | 2007             | 2006             |
|-------------------------------------|---------------------|------------------|------------------|------------------|------------------|
| <b>Receipts</b>                     |                     |                  |                  |                  |                  |
| Property tax                        | \$ 3,103,479        | 2,981,456        | 2,662,695        | 2,359,808        | 2,007,156        |
| Tax increment financing collections | 1,436,406           | 902,715          | 1,164,617        | 916,408          | 820,782          |
| Other city tax                      | 272,997             | 261,165          | 276,628          | 263,049          | 149,352          |
| Licenses and permits                | 143,630             | 126,234          | 198,997          | 143,389          | 196,664          |
| Use of money and property           | 84,212              | 131,671          | 226,874          | 219,212          | 204,357          |
| Intergovernmental                   | 823,439             | 766,086          | 771,747          | 768,173          | 659,954          |
| Charges for service                 | 727,348             | 681,247          | 638,211          | 588,138          | 603,252          |
| Miscellaneous                       | 263,611             | 187,943          | 293,806          | 187,018          | 375,575          |
| Total                               | <u>\$ 6,855,122</u> | <u>6,038,517</u> | <u>6,233,575</u> | <u>5,445,195</u> | <u>5,017,092</u> |
| <b>Disbursements</b>                |                     |                  |                  |                  |                  |
| Operating                           |                     |                  |                  |                  |                  |
| Public safety                       | 2,952,778           | 2,373,942        | 1,665,905        | 1,321,635        | 1,540,593        |
| Public works                        | 1,227,318           | 1,376,426        | 1,200,933        | 1,103,075        | 1,329,041        |
| Health and social services          | 3,150               | 3,150            | 3,150            | 3,150            | 3,150            |
| Culture and recreation              | 960,937             | 905,575          | 802,799          | 764,784          | 734,071          |
| Community and economic development  | 489,294             | 260,807          | 210,512          | 131,511          | 162,687          |
| General government                  | 540,786             | 604,015          | 456,252          | 479,607          | 454,465          |
| Debt service                        | 1,627,389           | 1,698,399        | 1,495,528        | 1,394,554        | 1,112,312        |
| Capital projects                    | 1,311,028           | 1,281,073        | 764,064          | 1,616,705        | 1,825,243        |
| Total                               | <u>\$ 9,112,680</u> | <u>8,503,387</u> | <u>6,599,143</u> | <u>6,815,021</u> | <u>7,161,562</u> |

See accompanying independent auditor's report.

| <u>2005</u>      | <u>2004</u>      |
|------------------|------------------|
| 1,944,684        | 1,850,777        |
| 726,796          | 602,507          |
| 91,718           | 95,051           |
| 187,923          | 126,368          |
| 90,802           | 90,848           |
| 670,976          | 623,041          |
| 224,611          | 238,900          |
| <u>375,609</u>   | <u>313,365</u>   |
| <u>4,313,119</u> | <u>3,940,857</u> |

|                  |                  |
|------------------|------------------|
| 1,268,424        | 1,123,028        |
| 602,794          | 552,582          |
| 3,150            | 3,150            |
| 648,403          | 612,893          |
| 162,818          | 182,897          |
| 461,738          | 412,190          |
| 1,266,009        | 1,102,064        |
| <u>283,756</u>   | <u>762,861</u>   |
| <u>4,697,092</u> | <u>4,751,665</u> |



# Shull

and Co. P.C.  
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Norwalk, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 28, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Norwalk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Norwalk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Norwalk's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Norwalk's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Norwalk's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Norwalk's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Norwalk's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Norwalk and other parties to whom the City of Norwalk may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Shull & Co., P.C.*

October 28, 2010

CITY OF NORWALK

Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (A) Unqualified opinions were issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than the generally accepted accounting principles of the United States of America.
- (B) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (C) The audit did not disclose any noncompliance which is material to the financial statements.
- (D) There were no major federal programs.
- (E) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (F) The City of Norwalk did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

Not applicable

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable

CITY OF NORWALK

Schedule of Findings and Questioned Costs - Continued  
Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-10      Certified Budget - Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the public safety, culture and recreation, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation— The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable

Conclusion – Response accepted.

IV-B-10      Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10      Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10      Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-10      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-10      Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10      Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10      Revenue Bonds - No violations of provisions of revenue bond resolution requirements were noted.

CITY OF NORWALK

Schedule of Findings and Questioned Costs - Continued  
Year ended June 30, 2010

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-I-10      Financial Condition – The City had the following deficit balances at June 30, 2010:

|                        |    |         |
|------------------------|----|---------|
| Capital Project Funds: |    |         |
| Street Construction    | \$ | 43,521  |
| Hakes Wright Road      |    | 88,905  |
| Safe Room              |    | 13,775  |
| Public Works Facility  |    | 100,581 |
| Signal Project         |    | 232,094 |

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.